

## 0850 California State Lottery Commission

In 1984, Proposition 37 amended the California Constitution to authorize the establishment of a statewide lottery. As an initiative statute, the California State Lottery Act (Act) of 1984 created the California State Lottery Commission and gave it broad powers to oversee the operations of a statewide lottery. The purpose of the Act was to provide supplemental monies to benefit public education without the imposition of additional or increased taxes. The Lottery is administered by a five-person Commission appointed by the Governor and confirmed by the State Senate.

The Act initially required that 50 percent of total annual revenues be returned to the public in the form of prizes and at least 34 percent of total revenues be allocated to the benefit of public education. No more than 16 percent of total revenues were to be used for administrative costs.

In 2010, the Act was changed to allow the Lottery flexibility to pay out more money in prizes and reduce the administrative cost limit to 13 percent of total revenues. Along with that flexibility, the new law requires the Lottery to meet minimum levels of contribution to public education. Revenues to education are placed in a special fund, known as the California State Lottery Education Fund, which holds revenues until they are allocated on a per capita basis, using prior year certified Average Daily Attendance data, to the following categories: K-12 education, Community Colleges, the California State University, the University of California, and other educational entities.

The Act was amended by a legislative initiative In March 2000 to provide that one-half of the amount of the share allocated to public education in excess of the amount allocated to education in fiscal year 1997-98 be allocated to school and community college districts for the purchase of instructional materials.

In the 25 years since sales began in October 1985 through June 30, 2010, the California State Lottery has raised more than \$23 billion for public education, including \$1 billion in FY 2009-10.

Because of the inherently variable nature of lottery ticket sales, revenue estimates for 2010-11 and 2011-12 cannot be made with certainty.

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### LEGAL CITATIONS AND AUTHORITY

#### DEPARTMENT AUTHORITY

Government Code, Title 2, Division 1, Chapter 12.5 (Sections 8880-8880.72).

## 0850 California State Lottery Commission - Continued

## Statement of Operations

	2009-10*	2010-11*	2011-12*
Lottery sales	\$3,040,960	\$3,519,000	\$3,519,000
Investment Proceeds from Portfolio Restructuring	45,251	-	-
Total, Resources	<u>3,086,211</u>	<u>3,519,000</u>	<u>3,519,000</u>
Less prizes	1,611,371	1,982,359	1,982,359
Resources after prizes	<u>1,474,840</u>	<u>1,536,641</u>	<u>1,536,641</u>
Less Game Costs:			
Retailer costs	214,484	240,606	240,606
Draw game costs	38,076	45,185	45,185
Instant ticket game costs	16,123	20,340	20,340
Total, Game Costs	<u>\$268,683</u>	<u>\$306,131</u>	<u>\$306,131</u>
Resources before operating expenses	\$1,206,157	\$1,230,510	\$1,230,510
Operating Expenses:			
Salaries, wages and benefits	46,011	51,622	51,622
Advertising	33,667	45,432	45,432
Promotion, public relations and point-of-sale	8,025	10,122	10,122
Other professional services	10,342	13,689	13,689
Depreciation and amortization	20,417	11,648	11,648
Other general and administrative expenses	18,279	18,826	18,826
Total, Operating Expenses	<u>\$136,741</u>	<u>\$151,339</u>	<u>\$151,339</u>
Income and Proceeds to Education	1,069,416	1,079,171	1,079,171
Interest Income	2,733	2,800	2,800
Other income	348	-	-
Net Resources	\$1,072,497	\$1,081,971	\$1,081,971
Unclaimed on-line prizes	<u>17,250</u>	<u>21,000</u>	<u>21,000</u>
<b>TOTAL RESOURCES DUE TO EDUCATION FUND</b>	<b>\$1,089,747</b>	<b>\$1,102,971</b>	<b>\$1,102,971</b>

\* Dollars in thousands, except in Salary Range.

**0850 California State Lottery Commission - Continued****Distribution of State Lottery Education Fund Revenues**

	<b>2009-10*</b>	<b>2010-11*</b>	<b>2011-12*</b>
Department of Education (K-12)	\$856,412	\$856,457	\$856,457
California Community Colleges	162,937	177,942	177,942
California State University/California Mar:	43,745	41,782	41,782
University of California	26,125	26,121	26,121
Other Public Colleges and Universities	145	147	147
Miscellaneous Educational Institutions	516	522	522
<b>TOTALS</b>	<b>\$1,089,880</b>	<b>\$1,102,971</b>	<b>\$1,102,971</b>

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## 0850 California State Lottery Commission - Continued

### DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

1 STATE OPERATIONS	2009-10*	2010-11*	2011-12*
0562 State Lottery Fund			
APPROPRIATIONS			
001 Budget Act appropriation	(\$417,950)	(\$403,375)	(\$408,000)
Revised estimated expenditures	<u>(-9,684)</u>	<u>(4,625)</u>	<u>-</u>
<b>TOTALS, EXPENDITURES</b>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
<b>TOTALS, EXPENDITURES, ALL FUNDS (State Operations)</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>

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\* Dollars in thousands, except in Salary Range.